Unless America’s business schools make radical changes, society will become convinced that MBAs work to serve only their own selfish interests.

by Joel M. Podolny

“I KNOW YOU’RE ANGRY. I’M ANGRY!” declared Harvey Milk, the American politician and gay rights activist, during a 1977 protest against the repeal of an antidiscrimination law. Today, we find ourselves in an economic quagmire where people around the world feel that same kind of intense rage – this time, against big business. Society has lost confidence in many economic institutions – investment banks, credit-rating agencies, and central banks, for instance – and prominent among them is one to which I devoted most of my professional life: business schools.
The resentment against the MBA is visible everywhere. The New York Times printed several letters on March 3, 2009, reacting to a news story about the pressure these trying economic times have exerted on the teaching of the humanities. The letter writers alluded to the fact that by studying the arts, cultural history, literature, philosophy, and religion, people develop their powers of critical thinking and moral reasoning. Business schools don't develop those skills, they argued, which is why MBAs made the shortsighted and self-serving decisions that resulted in the current financial crisis.

Two days earlier, a former student of mine, Philip Delves Broughton, authored an opinion piece in the Times of London. I recall Philip as one of the better students I taught at Harvard Business School, and it is evident from the article that Philip remembers me. He wrote that I “trumpeted” organization design work I had done in 2000 with the now-troubled Royal Bank of Scotland and that other HBS professors had written case studies on the bank's mergers and acquisitions, customer service, and employee retention strategies. “Every trendy business school idea was being implemented, it seemed, while what really mattered – the bank's risk assessment, cash flow, and capital structure – was going to hell,” he pointed out. Philip saved his sharpest criticism for what he perceived as Harvard Business School's indifference to the role that some of its graduates have played in recent business scandals.

I would quibble with a few of the details in Philip's account and, having worked for several years at HBS, disagree with his assessment that the school suffers from complete apathy. Five years ago, HBS introduced a compulsory course on leadership and corporate accountability as a response to the collapse of Enron. In addition, some members of the faculty have taken the current crisis as proof that they haven't done enough to equip students to make good judgments, and they’re thinking about introducing more changes to the school's curriculum and teaching methods.

At the same time, I share Philip's frustration. The degree of contrition not just at business schools but also among executives and companies seems small compared with the magnitude of the offense. To reprise the line: I know you're angry. I'm angry too.

I’m angry about the inattention to ethics and values-based leadership in business schools. We didn’t need the current meltdown to tell us that; the Enron and WorldCom scandals proved it more than seven years ago.

I’m angry about the disciplinary silos in which business schools teach management. I obviously didn't realize that balkanization had affected my understanding of the Royal Bank of Scotland, but many years ago, I did become aware that carving up management challenges by function would leave academics without a holistic appreciation of the challenges MBAs face.

I’m angry that many academics aren’t curious about what really goes on inside companies. They prefer to develop theoretical models that obscure rather than clarify the way organizations work. Many also believe that a theory’s relevance is enough to justify teaching it. That's a low bar; almost no theory is entirely irrelevant to business, but only a few are truly important.

These concerns prompted me to take the position of dean of the Yale School of Management in 2005, where I could tackle the problems I had observed. The changes that my colleagues and I implemented at Yale over the next four years are widely regarded as an improvement on the traditional curriculum. However, I quickly realized that the failings of today's MBA education can't be solved by changes at one, or even a few, business schools.

Fact is, so deep and widespread are the problems afflicting management education that people have come to believe that business schools are harmful to society, fostering self-interested, unethical, and even illegal behavior by their graduates. How did we get into a situation in which MBAs are part of the problem rather than the solution?

**What They Don’t Teach You at Business School**

Fifty years ago, the Ford Foundation and the Carnegie Foundation each commissioned a study of U.S. business education. Both concluded that the quality of scholarship was terrible
and suggested that business schools hire people trained in traditional academic disciplines that emphasize quantitative methods like economics, statistics, and operations research. The shadows of those reports, whose recommendations were largely adopted, linger to this day. Faculty members who rely on quantitative methods and mathematical models vastly outnumber those who emphasize qualitative techniques and inductive approaches. The emphasis on quantitative approaches created greater rigor in business schools, but the study of management challenges became fragmented, as academics in those disciplines carved up managerial problems to fit their areas of expertise. This has led to two unintended consequences.

First, business schools have largely ignored the teaching of values and ethics because those aren't subjects of inquiry for traditional business school academic disciplines. The consequences have been disastrous. For instance, when HBS professor Scott Snook recently surveyed MBA students, he found that a third regarded right and wrong as defined by the norm. That is, if several people were following a course of action, the students felt it was OK for them to do the same. Even when business schools teach ethics courses, as some of them started doing in the wake of the Enron fiasco, they do so in a vacuum. Teaching one ethics course doesn't ensure that a marketing professor will, for instance, discuss privacy-related issues while describing the Net's use as a marketing medium. On the contrary, because of a lack of interest, perhaps, or a fear of leading a discussion in an area outside their expertise, faculty members often stay away from teaching the normative aspects of business.

Second, those leadership and ethics courses that are taught are flawed, as the recent collapse of Wall Street firms suggests. Many faculty members and students believe that such courses are soft, in the sense that they don't require detailed analysis of data as other courses do. What's more, the business schools seem to have convinced MBAs that once they rise to positions of prominence, they're responsible only for setting the vision, fashioning a strategy, and developing an agenda. Their subordinates will sweat the details. Leaders don't need to worry unless the numbers come in worse than expected and change is required. They also feel they don't have to consider what it might imply if the results are better than imaginable: Leadership, MBAs have been led to believe, doesn't entail investigating whether there might be huge risks attached to those high returns.

Does the case method, with its emphasis on context, help overcome these problems? I have written and taught cases for years, but my answer is no. Cases can be a source of interdisciplinary integration, and a way to focus on the various dimensions of leadership, but they rarely are. Faculty members from the same discipline usually write a case, which ends up being function specific. In addition, when students must read a dozen cases a week, they tend to assume that each one deals with an entirely separate issue. The case method doesn't enable students to learn that being consistent in various situations and continually paying the right amount of attention to detail are among the most challenging aspects of leadership.

What's Wrong with Rankings

It's no secret that rankings drive the competition for business school students. That's not a bad thing per se; market pressure should force deans to keep improving curricula and teaching methods. The trouble is, deans who experiment with new courses can influence rankings only in the long run. Curricular
changes are difficult beasts; they require the cooperation of every faculty member and take time to show results. In fact, such changes often incur students’ ire until professors iron out the wrinkles.

Many deans therefore focus on influencing measures that can move their schools up the charts quickly. For instance, seasoned MBAs command higher starting salaries, so if a business school admits students with more experience to begin with, its ranking will automatically rise. Not coincidentally, the average age of students entering business school increased throughout the 1990s, as the schools chased candidates with more work experience.

Rankings also rise if more students from a business school go into higher-paying industries. This has created an incentive to gear curricula toward students who want to work in sectors like consulting and financial services.

Finally, instead of investing money in training faculty, deans can bring in consultants to help students perform better in interviews, which often boosts the number of offers each receives and thus improves rankings.

On the surface, there’s nothing wrong with admitting students with more experience or helping graduates get higher starting salaries. However, when business schools invest in improving only those short-term performance drivers, they invariably use rankings and starting salaries as central elements of their marketing. In the process, they lend credibility to those measures and endow them with too much significance. They also lend legitimacy to students’ claims that a school’s primary goal is to get them a high-paying job. I have no objection to anyone’s pursuing a career with a large salary, but I do object to the manner in which rankings have legitimized most business schools’ myopic focus on the short term.

What’s worse, the rankings have undermined the focus on professionalization. An occupation earns the right to be a profession only when some ideals, such as being an impartial counsel, doing no harm, or serving the greater good, are infused into the conduct of people in that occupation. In like vein, a school becomes a professional school only when it infuses those ideals into its graduates. A business school does that effectively when it forces its students to ask, “How do I want to change the world for the better?” and provides them with the skills, tools, and values to bring that about in a responsible manner. The school should also make students realize that the task isn’t easy and will require learning, sacrifice, and determination. If MBAs can also earn large sums of money in the process, that’s cause for additional celebration.

However, the way business schools today compete leads students to ask, “What can I do to make the most money?”
and the manner in which faculty members teach allows students to regard the moral consequences of their actions as mere afterthoughts. Business schools are then no more than trade schools. There’s nothing wrong with trade schools. But, since MBAs occupy positions with enormous responsibility that have a huge impact on society, their ability to do harm is very great – greater than the damage that people trained by trade schools can cause. That’s why society should be concerned if business schools teach in a way that leaves MBAs believing they can do their jobs without caring about the ethical bases of decisions or can lead without paying attention to details.

Society grants professionals a lot of discretion for self-governance, but it imposes regulations and controls if it doesn’t think they’re living up to their responsibilities and obligations. For example, in the 1970s, as parents in the United States came to view unions as more interested in promoting teachers’ interests than in improving education, government stepped in with regulations that limited teachers’ discretion. Although micromanagement of business by the U.S. government seems inevitable today, it may not be beneficial in the current situation.

**How Business Schools Must Deal with Distrust**

People don’t simply lack trust in business schools; they actively distrust them. We tend to equate the two, but social scientists such as Sim B. Sitkin and Nancy L. Roth argue that there’s an important difference. A lack of trust results when your expectations about how a person should behave aren’t met. As Sitkin and Roth point out, laws and regulations help address those situations by acting as effective deterrents. In contrast, distrust arises when you believe that another person's value system is different from your own. In those situations, legal remedies, which are impersonal and binding, only exacerbate the problem.

In order to reduce people’s distrust, business schools need to show that they value what society values. They need to teach that principles, ethics, and attention to detail are essential components of leadership, and they need to place a greater emphasis on leadership’s responsibilities – not just its rewards. There are no easy fixes, but let me suggest a handful of starting points.

**Foster greater integration.** Business schools need to redefine what they teach and how they teach it. Thankfully, a number of schools, such as Ivey, Rotman, Stanford GSB, and, of course, Yale SOM, have taken the first steps by moving away from teaching in functional silos and emphasizing the integration of several disciplines.

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However, my sense is that these business schools do a better job of mixing academic disciplines than of linking analytics with values. Moreover, the teaching of leadership is still about the big picture – not about the details, where such key challenges as the ability to stick to values and make ethical decisions come into play. HBS’s course on leadership and accountability does integrate numbers-based reasoning with ethical issues to a degree, but to change students’ mind-sets, business schools must infuse that emphasis into more than a single course.

**Appoint teaching teams.** Much is made of the fact that business school faculty are academics rather than experienced managers. After working at several leading business schools, I believe the concern is misplaced. In academia, as in corporations, technical expertise matters. However, in a company, a technical expert can contribute to the success of a product or service only if he or she works with other experts to create and deliver it. The same holds true for business schools. Team teaching – where faculty from both “hard” and “soft” disciplines develop material and present it in the same classroom – needs to become the rule. That will give students a more holistic understanding of business problems and their solutions. Sure, this is costly because it is faculty intensive, but it is a critical element in eliminating the dichotomy between the classroom and the real world.

**Encourage qualitative research.** Academics capable of teaching soft skills such as leadership, values, and ethics are in a distinct minority at most business schools. Without more faculty members in those areas, schools can’t weave such disciplines effectively into the fabric of MBA education. However, these experts often conduct research in ways that are different from those that faculty in quantitative disciplines use, and...
they publish papers in different kinds of journals. Building such faculty will therefore require a more eclectic taste for research than currently exists in most schools.

**Stop competing on rankings.** Business schools won't regain their professional focus as long as they implicitly endorse rankings fostering the belief that their raison d'être is to enable their students to earn more money. The Association to Advance Collegiate Schools of Business could help delegitimize such rankings by prescribing, and auditing, how the schools use the data in their communications. For instance, it could forbid business schools from touting in their advertising how much their degrees will augment graduates’ incomes. The AACSB could also insist on compliance as a criterion for accreditation. The rankings would still be available to potential applicants through the media, but the official guidelines could force business schools to articulate their goals in ways that don’t boil down to a single number. That would change would-be students’ expectations of the MBA degree.

Critics will say that imposing constraints on advertising isn’t consistent with a free market. It isn’t—but then, one of the hallmarks of a profession is that it voluntarily accepts constraints. Lawyers, doctors, and accountants, as well as the schools that train them, abide by several restrictions—particularly on how they can advertise their services—because they are members of professions. In the same way, business schools must be prepared to abide by norms that govern how they compete for students if they want society to continue regarding them as professional schools.

**Withdraw degrees for violating codes of conduct.** Some experts have recently argued in the pages of this magazine that business schools need to develop the equivalent of a Hippocratic oath, as well as a code of conduct for MBAs (see, for example, Rakesh Khurana and Nitin Nohria’s October 2008 HBR article, “It’s Time to Make Management a True Profession.”) In fact, Thunderbird School of Global Management already administers an oath when its students graduate. It may be a step in the right direction, but oaths and codes of conduct work only when a professional body monitors behavior and withdraws credentials for violations. For instance, bar councils and medical review panels enforce standards that are higher than the legal standard.

Managers can learn from doctors and lawyers. Before those professions had strong national associations, they created governing groups, usually connected to universities, which certified individuals as worthy of practice. In the same way, a business school, its faculty, and its graduates can constitute a governing group. This group can set up a committee that draws up a code of conduct and monitors MBAs’ adherence to it. The committee could, for instance, revoke the degrees of students who break the code. The ex-MBAs might still be able to manage businesses, but they wouldn’t be allowed to list the degree on their résumés, remain members of the school community, or be invited to reunions.

They would, hopefully, be shunned by those who do adhere to the school’s code of conduct. Most important, the governing groups would provide business schools with a mechanism by which they could communicate to the public their disapproval of MBAs who break their code and so demonstrate that the schools’ values do accord with those of society.

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Great leaders have come out of business schools, and their faculty members have published great research. However, in a world where MBAs have been directly or indirectly responsible for destroying so much value, business schools can’t point to isolated examples of leadership and scholarship as justifications for their existence. They must be able to say that they promote behavior that is consistent with society’s values. Business schools can never do that unless they reinvent themselves.